

TOWNSHIP OF SHARON
Washtenaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* SHARON	County* WASHTENAW	Type* TOWNSHIP	MuniCode* 81-1-150
Opinion Date-Use Calendar* 10-17-08	Audit Submitted-Use Calendar* 10-22-08	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 267,134.19
General Fund Expenditure:	<input type="checkbox"/> ? \$ 501,466.78
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 243,503.67
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 17250 BETHEL CHURCH RD	Unit's City* MANCHESTER	Unit's Zip* 48158	

TOWNSHIP OF SHARON
Washtenaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 17, 2008

To the Township Board
Township of Sharon
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sharon, Washtenaw County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sharon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sharon, Washtenaw County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

The Management's Discussion and Analysis report of the Township of Sharon covers the Township's financial performance during the year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

The Sharon Township financial statements demonstrate a continuing stable operation of the last year. While the economy had been weakened and struggling and did not recover during the time outlined, Sharon Township was able to adjust to the ongoing challenges. Some highlights of the major categories are:

Assets – The purchase of capital assets played a major role in the 2007-2008 fiscal year budget. The Board adopted a new budget of \$240,000.00 on 6/7/08. After the Declaration of Taking explained in the Financial Analysis section of this report, the Board amended and adopted a new budget of \$256,000.00 on 12/6/07 showing that it could finance the 25.625 acres. After meetings with our Township attorney, the Board was advised that the Township could not enter into a loan agreement from Greenstone Farm Credit Services due to the fact that a governmental entity was not able to sign the loan application. Once this was determined, the court date being postponed into the next fiscal year, and the Supervisor resigning, the Board decided to amend and adopt the original budget of \$240,000.00 on 4/15/08.

	<u>Year Ending 6/30/2007</u>	<u>Year Ending 6/30/2008</u>
Revenue:	\$271,893.02	\$267,134.19
Expenses:	\$225,414.29	\$501,466.78
Net:	\$46,478.73	(\$234,332.59)
Capital outlay		\$269,815.04
Budget:	\$254,200.00	\$240,000.00
	Approved 7/6/06	Approved 6/7/07
		\$256,000.00
		Amended & Approved 12/6/07
		\$240,000.00
		Amended & Approved 4/15/08

Assets: The purchase of capital assets played a major role in the 2007/2008 fiscal year budget. The new capital assets totaled \$269,815.04.

Revenue: The weakened and slow economy was reflected in the Township's 2007-2008 fiscal year by shrinking revenue of \$19,060.45 or 8% from the previous year but \$12,832.57 or 5.4% increase from the proposed budget.

Expenses: Expenses were \$501,466.78 for the 2007-2008 fiscal year. The trend of the economy was reflected in this year.

Budget: Performance to the budget was favorable both to revenue forecasts and expense forecasts. The budget for fiscal year 2007-2008 was \$240,000.00 for both revenues and expenses. Revenues of \$267,134.19 exceeded budget by \$27,134.19 and expenses of \$501,466.78 were \$261,466.78 over budget. The two land purchase capital outlays were \$269,136.68.

Tax Base: For fiscal year 2007-2008 the Assessed Value decreased \$2,891,794.00 or (2.13%) from \$135,941,707.00 to \$133,049,913.00. The Taxable Value was \$89,616,592.00.

Fund Balance: The Township ended the 2007-2008 fiscal year with a Fund Balance of \$243,503.67.

Tax Account: At the end of fiscal year 2007-2008, the tax account had a balance of \$33,456.47. Upon the advice of the Township's Certified Public Accountant, the Township believes this amount should be moved to the General Fund.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended June 30, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	253 080
Capital Assets	278 021
Other Assets	<u>140 100</u>
Total Assets	<u>671 201</u>
Current Liabilities	149 676
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>149 676</u>
Net Assets:	
Invested in Capital Assets	278 021
Unrestricted	<u>243 504</u>
Total Net Assets	<u><u>521 525</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	43 706
General Revenues:	
Property Taxes	79 928
State Revenue Sharing	114 868
Interest	7 060
Miscellaneous	<u>21 572</u>
Total Revenues	<u>267 134</u>
Program Expenses:	
Legislative	3 600
General Government	108 186
Public Safety	74 755
Public Works	29 833
Other	<u>17 444</u>
Total Expenses	<u>233 818</u>
Increase in Net Assets	33 316
Net Assets, July 1	<u>488 209</u>
Net Assets, June 30	<u><u>521 525</u></u>

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information about the Township funds as a whole. Funds are used to account for specific activities or funding sources. Funds are established to account for funding and spending of the remaining accounts fall into two categories. They are:

Governmental Fund – The General Fund is the fund that receives the revenues from the normal business of the Township as well as the Township tax receipts. Most of the Township's activities are included in this fund. Bills are paid as received. All expenses are paid from this fund. There were no significant changes in the General Fund.

Fiduciary Fund – The Township is the trustee for assets belonging to others. The Township maintains the Current Tax Collection Fund for the deposit and safe keeping of tax funds until they are distributed to the appropriate entities. The Township deposits only tax receipts to this fund and distributes these funds on a timely basis to the appropriate parties. Through this process funds are kept separate and fully accounted for prior to settling with Washtenaw County at the end of the tax collection period. There were no significant changes in this fund.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's financial position is stable. Revenues were down by \$19,060.45 from the previous 2006-2007 fiscal year but the revenue was still \$27,134.19 over the proposed 2007-2008 budget even though the economy was fighting a recession.

1. Performance to budget was favorable both to revenue forecasts and expense forecasts for the year ending 6/30/08 until the Township made two capital outlays. The Township would have ended the year with a surplus of \$25,502.47 to add to the Fund Balance but with the capital outlay expense being \$269,815.04 the Township ended the 2007-2008 fiscal year being (\$243,634.21).

2. The Township ended the 2007-2008 fiscal year with a Fund Balance of \$243,503.67. The two capital outlays were:

- A. The purchase of the house and 4 acres located directly behind the Township Hall more commonly known as: 7807 Sylvan Road for \$76,949.18.
- B. The Declaration of Taking of 25.625 acres located along North M-52 which had been owned by Gourley Farms, LLC. Per the instruction of the Township attorney, the Township paid the Washtenaw County Treasurers office \$192,187.50 for the property. The final purchase price will be determined in the Circuit Court of the County of Washtenaw February 2009.

3. The Township has continued to work on its fee schedule to ensure that fees reflect the costs associated with projects within the Township. This concentrated effort has assisted in keeping revenues in line with expenses.

4. The main asset continues to be the Township Hall built in 1917. The Township purchased 7807 Sylvan Road envisioning its expansion needs for the future. The house and land were in foreclosure, which made it affordable to the Township unlike in the past. Because the house had safety issues, it was a liability instead of an asset. The Board had the Manchester Fire Department burn down the house, and now the Township has 4 acres more which is contiguous with the land the Township Hall sits on, for its future needs. The Township's other main asset which is the 25.625 acres located on M-52, Manchester was acquired for the process of constructing a waste water treatment system to service present and future residents and businesses in the Township. The Declaration of Taking was voted on a "yeas" 4 to "nays" 1 vote on July 26, 2007 before the economy took a turn for the worst. The Township other assets are mainly computers and voting machines. The Township purchased a computer for the Treasurer valued at \$678.36. These are the only depreciative assets purchased over the last two years.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Several major expenses dominate the General Fund. These 5 major expenses together make up approximately 84% of the General Fund. They are:

- 1) Township officials salaries and associated payroll tax of \$77,127.74 or 32%.
- 2) Contracted Fire Protection from Manchester Township of \$63,441.68 or 26%.
- 3) Contracted Dust Control for roads from Washtenaw County Road Commission of \$26,958.00 or 11%.
- 4) Contracted Professional Services (Attorney, Assessor, Planner, Engineering) of \$22,535.90 or 10%.
- 5) Township Insurance fee of \$10,704.00 or 5%.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The purchase of capital assets pertaining to the real estate of the Sylvan Road property and the 25.625 acres located on M-52 played a major role in our 2007-2008 fiscal year budget. The Township does not have any infrastructure, police, fire, or public service organization. The 1917 Township Hall remains unchanged. The Township currently owns 7 computers and the voting systems as its assets other than the Township Hall. The Township currently has no debt outstanding on any item. The Township does plan on financing the land acquisition of the 25.625 acres after the court hearing to take place in February 2009.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The biggest factor for the Township use to be growth and development. But now in these tough economic times, it is finding a way to balance the budget. Sharon Township has shown over the years that it can work with the revenue it receives and pay for the expenses it incurs and still be under budget at the end of the fiscal year.

In August 2008, the Township started receiving funds from its development agreement. It will receive \$10,800.00 annually for up to five years. The Township will receive approximately \$100,000.00 in a balloon payment or real estate valuing the same amount at the end of the five year period.

Police service is provided by the Michigan State Police and Fire Protection by neighboring fire departments.

The Township maintains office hours however some business is still conducted out of the clerk's home.

The Township has an adopted Zoning Ordinance and it is being updated as needed to reflect changing times and ordinance issues that are brought to the attention of the Township Ordinance officer.

The Township is in the process of updating its Land Use Plan and adopting a wind energy ordinance.

The Township Supervisor Gary Blades who had been in office almost 12 years, abruptly resigned at our March 6, 2008 meeting. His last day holding office was March 31, 2008. On April 10, 2008, the Board appointed Mr. Richard Jones to be the Interim Supervisor. All the Board members have worked with Mr. Jones to make the transition a lot easier.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of the Township's finances and demonstrate the Township's accountability for the revenue it receives. Any questions regarding this report, please contact the Township Clerk, Teri Aiuto at 734-428-7002 or the Township Interim Supervisor, Richard Jones 734-428-1477.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	25 532 94
Investments	203 425 78
Due from State of Michigan	18 138 00
Taxes receivable	<u>5 982 95</u>
Total Current Assets	<u>253 079 67</u>
CAPITAL ASSETS:	
Capital Assets	323 582 26
Less: Accumulated Depreciation	<u>(45 560 64)</u>
Total Capital Assets	<u>278 021 62</u>
OTHER ASSETS:	
Contract receivable	<u>140 100 00</u>
Total Other Assets	<u>140 100 00</u>
TOTAL ASSETS	<u><u>671 201 29</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	9 576 00
Deferred revenue	<u>140 100 00</u>
Total Current Liabilities	<u>149 676 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	278 021 62
Unrestricted	<u>243 503 67</u>
Total Net Assets	<u>521 525 29</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>671 201 29</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 600 00	-	(3 600 00)
General government	108 186 01	30 409 15	(77 776 86)
Public safety	74 755 18	13 296 49	(61 458 69)
Public works	29 833 00	-	(29 833 00)
Other	17 443 95	-	(17 443 95)
Total Governmental Activities	<u>233 818 14</u>	<u>43 705 64</u>	<u>(190 112 50)</u>
General Revenues:			
Property taxes			79 928 45
State revenue sharing			114 868 00
Interest			7 059 91
Miscellaneous			<u>21 572 19</u>
Total General Revenues			<u>223 428 55</u>
Change in net assets			33 316 05
Net assets, beginning of year			<u>488 209 24</u>
Net Assets, End of Year			<u>521 525 29</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

	<u>Total</u>
<u>Assets</u>	
Cash in bank	24 308 79
Investments	171 193 46
Due from other funds	33 456 47
Due from State of Michigan	18 138 00
Taxes receivable	5 982 95
Contract receivable	<u>140 100 00</u>
Total Assets	<u><u>393 179 67</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	9 576 00
Deferred revenue	<u>140 100 00</u>
Total liabilities	<u>149 676 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>243 503 67</u>
Total fund equity	<u>243 503 67</u>
Total Liabilities and Fund Equity	<u><u>393 179 67</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	243 503 67
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	323 582 26
Accumulated depreciation	<u>(45 560 64)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>521 525 29</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>Total</u>
Revenues:	
Property taxes	79 928 45
Licenses and permits	9 387 35
State revenue sharing	114 868 00
Charges for services:	
Property tax administration	29 209 15
Fire runs	5 109 14
Interest	7 059 91
Miscellaneous	<u>21 572 19</u>
Total revenues	<u>267 134 19</u>
Expenditures:	
Legislative:	
Township Board	3 600 00
General government:	
Supervisor	21 875 00
Assessor	11 900 00
Legal	12 246 40
Elections	1 485 50
Clerk	17 730 00
Board of Review	900 00
Treasurer	17 730 00
Building and grounds	9 643 48
Cemetery	1 812 00
Unallocated	10 697 23
Public safety:	
Fire protection	63 441 68
Protective inspection	6 900 00
Planning Commission	3 693 50
Appeals Board	720 00
Public works:	
Highways and streets	26 958 00
Recycling	2 875 00
Other:	
Insurance	11 888 00
Social security	5 555 95
Capital outlay	<u>269 815 04</u>
Total expenditures	<u>501 466 78</u>
Excess (deficiency) of revenues over expenditures	(234 332 59)
Fund balance, July 1	<u>477 836 26</u>
Fund Balance, June 30	<u><u>243 503 67</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (234 332 59)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 166 40)
Capital Outlay	<u>269 815 04</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>33 316 05</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sharon, Washtenaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sharon. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was .8882 mills, and the taxable value was \$89,616,598.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Furniture and equipment	3-7 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>25 532 94</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	35 800 15
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>35 800 15</u>

The Township had the following investments at June 30, 2008:

Nonrisk-Categorized:

Financial Institution Pooled Funds	<u>203 425 78</u>
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Total Investments	<u>203 425 78</u>
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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 7/1/07	Additions	Deletions	Balance 6/30/08
Land	2 500 00	269 136 68	-	271 636 68
Buildings	25 000 00	-	-	25 000 00
Furniture and equipment	<u>26 267 22</u>	<u>678 36</u>	<u>-</u>	<u>26 945 58</u>
Total	53 767 22	269 815 04	-	323 582 26
Accumulated Depreciation	<u>(43 394 24)</u>	<u>(2 166 40)</u>	<u>-</u>	<u>(45 560 64)</u>
Net Capital Assets	<u>10 372 98</u>	<u>267 648 64</u>	<u>-</u>	<u>278 021 62</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>33 456 47</u>	Current Tax Collection	<u>33 456 47</u>

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Sharon does not issue building permits. Building permits are issued by the Chelsea Area Construction Agency, a local governmental unit.

Note 10 – Budget Variance

During the fiscal year ended June 30, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
General Fund Activity:			
Capital outlay	1 000 00	269 815 04	268 815 04

Note 11 – Contract Receivable

On May 30, 2007, the Township sold a parcel of land to Chelsea-52 Associates, LLC for \$150,000.00. The contract requires monthly payments of \$900.00 with total payment by May 30, 2012. The contract receivable is secured by real estate. During the fiscal year ended June 30, 2008, \$9,900.00 was received and recorded as revenue. As of June 30, 2008, \$140,100.00 is recorded as contract receivable and deferred revenue.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	75 500 00	75 500 00	79 928 45	4 428 45
Licenses and permits	6 700 00	6 700 00	9 387 35	2 687 35
State revenue sharing	110 000 00	110 000 00	114 868 00	4 868 00
Charges for services:				
Property tax administration	22 800 00	22 800 00	29 209 15	6 409 15
Fire runs	5 000 00	5 000 00	5 109 14	109 14
Interest	10 000 00	10 000 00	7 059 91	(2 940 09)
Miscellaneous	10 000 00	10 000 00	21 572 19	11 572 19
Total revenues	<u>240 000 00</u>	<u>240 000 00</u>	<u>267 134 19</u>	<u>27 134 19</u>
Expenditures:				
Legislative:				
Township Board	3 600 00	3 600 00	3 600 00	-
General government:				
Supervisor	22 500 00	21 875 00	21 875 00	-
Assessor	12 000 00	12 000 00	11 900 00	(100 00)
Legal	5 000 00	12 246 40	12 246 40	-
Elections	2 500 00	1 485 50	1 485 50	-
Clerk	17 730 00	17 730 00	17 730 00	-
Board of Review	900 00	900 00	900 00	-
Treasurer	17 730 00	17 730 00	17 730 00	-
Building and grounds	9 000 00	13 103 48	9 643 48	(3 460 00)
Cemetery	3 000 00	1 812 00	1 812 00	-
Unallocated	23 240 00	14 178 99	10 697 23	(3 481 76)
Public safety:				
Fire protection	60 000 00	63 441 68	63 441 68	-
Protective inspection	6 900 00	6 900 00	6 900 00	-
Planning Commission	4 000 00	4 000 00	3 693 50	(306 50)
Appeals Board	600 00	720 00	720 00	-
Public works:				
Highways and streets	26 000 00	26 958 00	26 958 00	-
Recycling	6 000 00	2 875 00	2 875 00	-
Other:				
Insurance	12 300 00	11 888 00	11 888 00	-
Social security	6 000 00	5 555 95	5 555 95	-
Capital outlay	1 000 00	1 000 00	269 815 04	268 815 04
Total expenditures	<u>240 000 00</u>	<u>240 000 00</u>	<u>501 466 78</u>	<u>261 466 78</u>
Excess (deficiency) of revenues over expenditures	-	-	(234 332 59)	(234 332 59)
Fund balance, July 1	-	-	477 836 26	477 836 26
Fund Balance, June 30	-	-	<u>243 503 67</u>	<u>243 503 67</u>

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2008

Township Board:	
Wages	3 600 00
Supervisor:	
Salary	21 875 00
Assessor:	
Contracted services	11 900 00
Legal	12 246 40
Elections	1 485 50
Clerk:	
Salary	17 500 00
Salary – deputy	230 00
	17 730 00
Board of Review	900 00
Treasurer:	
Salary	17 500 00
Salary – deputy	230 00
	17 730 00
Building and grounds:	
Utilities	4 715 80
Miscellaneous	4 927 68
	9 643 48
Cemetery:	
Repairs and maintenance	1 812 00
Unallocated:	
Supplies	1 822 40
Telephone	1 692 68
Transportation	708 27
Printing and publishing	2 031 64
Dues and conferences	2 071 41
Postage	1 387 63
Miscellaneous	983 20
	10 697 23
Fire protection:	
Contracted services	63 441 68
Protective inspection:	
Salary	6 900 00
Planning commission:	
Wages	2 390 00
Miscellaneous	1 303 50
	3 693 50
Appeals Board:	
Wages	720 00
Highways and streets:	
Repairs and maintenance	26 958 00

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2008

Recycling	<u>2 875 00</u>
Insurance	<u>11 888 00</u>
Social security	<u>5 555 95</u>
Capital outlay	<u>269 815 04</u>
Total Expenditures	<u><u>501 466 78</u></u>

TOWNSHIP OF SHARON
Washtenaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2008

	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<u>Assets</u>				
Cash and Investments	<u>27 245 01</u>	<u>2 574 772 62</u>	<u>2 568 561 16</u>	<u>33 456 47</u>
<u>Liabilities</u>				
Due to other funds	27 245 01	112 752 43	106 540 97	33 456 47
Due to others	<u>-</u>	<u>2 462 020 19</u>	<u>2 462 020 19</u>	<u>-</u>
Total Liabilities	<u>27 245 01</u>	<u>2 574 772 62</u>	<u>2 568 561 16</u>	<u>33 456 47</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 17, 2008

To the Township Board
Township of Sharon
Washtenaw County, Michigan

We have audited the financial statements of the Township of Sharon for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sharon in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sharon
Washtenaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants